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# **Rota do Azulejo: Strategic Analysis of the Business Ecosystem and Value Creation in the Touristic Tile Art Market**

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## **Abstract**

This project is composed by a strategic analysis of the business ecosystem and value creation for the implementation of a touristic route. The main purpose was to construct theoretical frameworks for the analysis of the networks and value creation in tile tourism, enabling the analysis of a possible “Rota do Azulejo”. The project states that relations inside the network are crucial and underlines the importance of stakeholders in the creation of value. This thesis constitutes a theoretical and critical analysis of the strategic viability of a touristic route, laying the foundations for the development of further analysis and projects.

**Keywords:** Tourism; Tile; Business Ecosystems; Value Creation

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## **Part I - Introduction**

The tourism sector has, throughout the past few years, become one of the biggest and fastest-growing economic sectors in the world, showing continued growth and diversification. This phenomenon has been particularly notorious in Lisbon, Portugal, where the infrastructures, processes and overall offers in the touristic industry have shown significant development. However, while most markets inside this industry seem to be reaching a more mature and saturated stage, we have found that the market for touristic offers regarding the Portuguese tile art heritage still poses as a somewhat unexplored opportunity for the introduction of a modern service, Rota do Azulejo, based at the center of a business ecosystem. As such, throughout this study, we intend to provide key insights regarding this possible business network and analyse it with special focus on the topics of business environments, value creation and value appropriation for the different stakeholders.

With this purpose, several relevant literature on managing business ecosystems, value co-creation in service-dominant logic and value capture was analysed and the work of various authors (Moore, 1993; Letaifa, 2014; Vargo and Lusch, 2004) laid down the ground rules for the development of this study. However, while these previously mentioned topics have been widely researched, its implications on the tourism sector still require further investigation, namely in the touristic tile art market in which no study of this kind has been developed. Furthermore, and adding the available literature on value creation in tourism networks (from which we underline the importance of Abolfazl Tajzadeh-Namin and Ritchie and Crouch's researches), we were able to combine crucial knowledge to derive key frameworks that serve as basis for the presentation of our findings.

The main question this study aims to address is whether there is room in the touristic tile art market for the successful introduction of this type of service (Rota do Azulejo) and the

consequent creation of the business ecosystem under which the institution will operate. In order to reach a significant conclusion on this matter, this report will be divided into two main research objectives. Firstly, it is crucial to map the network to be created, identifying every single player and its relative weight on the success of the service offering. In a second stage, after having understood which are the stakeholders in this ecosystem, the goal lies on assessing the relationships between every player and the keystone institution in the network (Rota do Azulejo) and how these interactions will contribute for the overall success of the offer. It is, thus, also important to measure these interactions in terms of value creation and value captured by each institution to assess the overall value creation inherent in the creation of this business ecosystem. The findings of this study are expected to serve as a useful tool for any institution that wishes to develop such a service in this environment.

This report is divided into 5 parts. First, the relevant literature for the topics is critically reviewed. Then, there is a explanation of the theoretical frameworks to be used throughout the study. Following that, the contextual information and the research methodology are presented, proceeded by the findings, as discussed above. Finally, there is the discussion of the referred findings as well as its conclusions and implications.

## **Part II - Literature review**

The review of literature on the topics to be analysed will help us understand our object of study, how to approach it and which tools to use, as well as to validate with theoretical background our future findings. For this, we structured our review with an introduction on works related to two main drivers that will impact future analysis, business environments and value creation, with the second expanding to specific topics like value co-creation and value capture. The literature background is also completed with the review of theories and application of both concepts to the tourism industry and a closer look at tourism routes as basis for our following developments on the same topic.

### **1 | Business Ecosystems**

To begin with our analysis and in light of future subjects and structures of study, it is important to understand business ecosystems and its implications regarding value creation and value appropriation for the parties involved. Williamson and De Meyer (2012, page 24) defined business ecosystems as “a network of organizations and individuals that collaborate and evolve roles and capabilities, as well as synchronizing their investments to build value and increase efficiency”. Being so, and understanding the complexity of the interactions and value exchange between partners, Urmetzer, Martinez and Neely (2016) set out to develop a framework to help managers deal with the lack of ability to understand value capture and creation between key stakeholders. They based their study on Pfeffer and Salancik’s (1978) resource dependence perspective that underlines firm lack of ability to be sustainable without external dependencies. Urmetzer, Martinez and Neely (2016) extended this view to a B2B context and understood that economic agents, in order to survive or expand, create dependencies on other businesses and make strategic decisions based on those relationships.

In the end, a business ecosystem is created, in which various companies coexist in strategic interaction.

Furthermore, as stated before, it is crucial to comprehend how value is created in such ecosystems. Adner and Kapoor (2010) propose that value can be created by the company and partners for a final customer and that, thus, every participant can create and capture value. Expanding on this notion, Urmetzer, Martinez and Neely (2016) argued in their paper, that value is created in both parts of an observed network. However, the authors state that value capture is just as important as value creation. If value is created by one entity but the other does not know what to do with it (is not able to capture it), value is lost. Regarding this value exchange, it is relevant to make the distinction between direct value and indirect value. As the authors put it, “direct value exchanged is the economic value exchanged”, in the sense that a service is provided and money returned back. Indirect value, however, is much more relevant to understand the implications of business ecosystems for each participant. This indirect value can be passed in the form of resources and processes used or even in the form of capability or marketing. The key idea is that the exchange of value between players in ecosystems is based on coopetition (cooperation and competition). The survival of each partner relies on the other organizations in the ecosystems, and, thus, to be successful, every player must exchange value and collaborate effectively (Letaifa, 2014).

Another issue companies need to be aware when analysing the possibility of being part of a business ecosystem is that every organization has a specific strategic intent. Thus, understanding its own and others strategic views is crucial for an efficient value capture. Undergoing the process of internal change and adaptation to an outside partner will have an effect on the company. Consequently, the strategic intent is crucial for the firm to develop a market or a customer relationship (Rai and Tang, 2014).

Additionally, in their paper, Iansiti and Levien (2004) proposed two key aspects for the success of business ecosystems. First, since this type of network is characterized by many interconnected players that depend on each other for their mutual performance, it is the efforts of the group of organizations together that constitute value, while single company's efforts have less value independently. Secondly, the authors identified having a "keystone" company, whose role is to ensure that every member remains healthy, as a crucial element for success. Keystone companies can enable other players in the network to improve their performance by developing infrastructures or creating "platforms" that are open for other participants.

## **2 | Value Creation**

After analysing the business ecosystem framework and gaining deeper knowledge on how these networks are formed and the way they convey added value to all its participants, it is relevant for the development of our work to look into the notions of value creation and value appropriation. Brandenburger and Nalebuff (1996) presented their view on value creation proposing that there would be two factors determining it - willingness-to-pay of the buyer and the opportunity cost of the supplier - and that the value created by the chain of players was defined by subtracting the opportunity cost to the willingness-to-pay. Elaborating on this idea, Mizik and Jacobson (2003) have introduced the notion of social surplus, suggesting that the creation of value comes from innovative activities that lead to a difference between the consumer's utility of consuming the product and the costs of producing it.

Following this, Lepak, Smith, and Taylor (2007, page 182) have put, in their paper, the buyer in the center of value creation, stating that "value creation depends on the relative amount of value that is subjectively realized by a target user - whether individual, organization, or society - and that this subjective value realization must at least translate into the user's



willingness to exchange a monetary amount for the value received''. As such, value creation involves innovation that increases the products use value (i.e. the consumer's valuation of the benefits of consumption, according to Priem (2007). Furthermore, the new use value is obtained by the actions of member of the organization who combine to transform the use values that the firm has acquired, as mentioned by Bowman and Ambrosini (2000).

Reviewing the perspectives of the different authors on this matter we understand that they all revolve around the idea that value creation comes from the innovative mechanisms that a company undertakes in order to increase the use value of the buyer. Value is created for the organization when the combined resources used allow for the increase in use value (customer's utility perception of the product increases) which results in an increase in the exchange value (customers are willing to pay more for the increase in utility).

### **3 | Value Co-Creation (Service-Dominant Logic)**

Lusch and Vargo have, in their papers, given relevancy to the Service-Dominant Logic (S-D logic) over the traditional Goods-Dominant Logic (G-D logic). This perspective theorizes the partner role of organizations and customer in the process of value co-creation. Despite having suffered criticism from various authors, such as Achrol & Kotler (2006) or Stauss (2005) that criticized it on issues of novelty and appropriateness of the word "service" as well as the lack of precision and conceptual clarity, S-D logic quickly became an established paradigm in marketing, Lusch and Vargo (2004). As such, we adopt S-D logic because it allows us to have a better understanding of some of the characteristics of the tourism industry, such as the interactions between players and the central role of customers.

According to this perspective by Lusch and Vargo (2004), "firms can only provide services as value propositions, which become an input to value realization". However, value realization is dependent on the consumers' involvement in the service process. Customers are

the ones that determine if value is indeed generated. S-D logic proponents argue that “value can only be created with and determined by the user in the ‘consumption’ process and through use of what is referred to as value-in-use”, Lusch and Vargo (2006). Furthermore, other than value-in-use, co-production is also a key aspect of value co-creation. This definition, under S-D logic, goes beyond involving the consumer in the process of production and suggests that no value is created without the incorporation by customers of firm’s offering into their lives. This “places the customer explicitly at the same level of importance as the company” in the value creation process, Payne et al. (2008).

Additionally, this perspective of S-D logic also introduces valuable notion on the value co-creation through network interaction, which is of the utmost importance for the development of our work. S-D logic posits that value co-creation is not limited to the relationship between supplier and customer, but rather that it “involves an entire network of stakeholders centered on many organizational relationships”, Gummesson (2008). By positioning themselves to “fulfil personal and evolving customer needs”, firms should move beyond an internal focus and dynamically engage other agents turning their offers in comprehensive value propositions, as cited by Peppard & Rylander (2006).

#### **4 | Value Capture**

Following our analysis and understanding of value creation, some of its definitions and theories, it is rationally essential to review literature that recons how that value is captured or incorporated by the different elements. We would like to primarily highlight the vision of Lavie (2007) that states that value appropriation mechanisms are determinant in the distribution of the common generated value as well as the capacity of independent stakeholders to “unilaterally extract private benefits that are unavailable to other partners”. Bowman and Ambrosini (2000) elaborate that value is only really reflected in a firm’s profit

if they are able to capture the “positive value differentials” generated by their resources. It is also regarded the importance of the power relations between elements inside the process of value capture. Compiling literature from Lepak, Smith and Taylor (2007) and Burt (1992) it is possible to identify the concept of isolating mechanisms and how they developed to capture created value, being through the stakeholders unique position in a network, the nature of their relations with other players in the environment or their “specialized expertise or knowledge” on the performance of a task or in the creation of new products and services.

Transversal to various authors works is, however, the notion that some resource holders will capture a share of value that does not correspond to the weight of the resource on the value creation process.

## **5 | Value Creation in Tourism**

An important definition to start our analysis of value creation in tourism is to understand how Medlik and Middleston (1973) defined tourism products. They identified them as products or bundles of activities, services and benefits, which define a tourism experience and that can be composed by five distinguishable factors, namely destination experiences, destination facilities, accessibility, imagine and price.

To better understand the creation of value within tourism we should point out that there are several variables, identified by Ritchie and Crouch (1999), that can affect the destination competitiveness and that include the core attractors, the main elements of a destination appeal, constituted by the physiography, culture, history, superstructure and market ties along with events and activities. The view on the subject further extends to factors that determine the competitiveness of an organization in the sector as part of a destination management strategy, and that alongside the micro and macro environment surrounding it constitute both a

source of attention and opportunities for any interested stakeholder. Ritchie and Crouch (1999) identified them as resources stewardship, or the preservation of the attractions, marketing and managerial efforts, characterized by the strategic and marketing planning, organization capabilities, meaning the inner resources that allow for an efficient application of the strategies, information and research capabilities, that allow for both better assessment and divulgation, and finally service and experience efficiency, translated in the more identifiable touristic proposal (see fig.1).

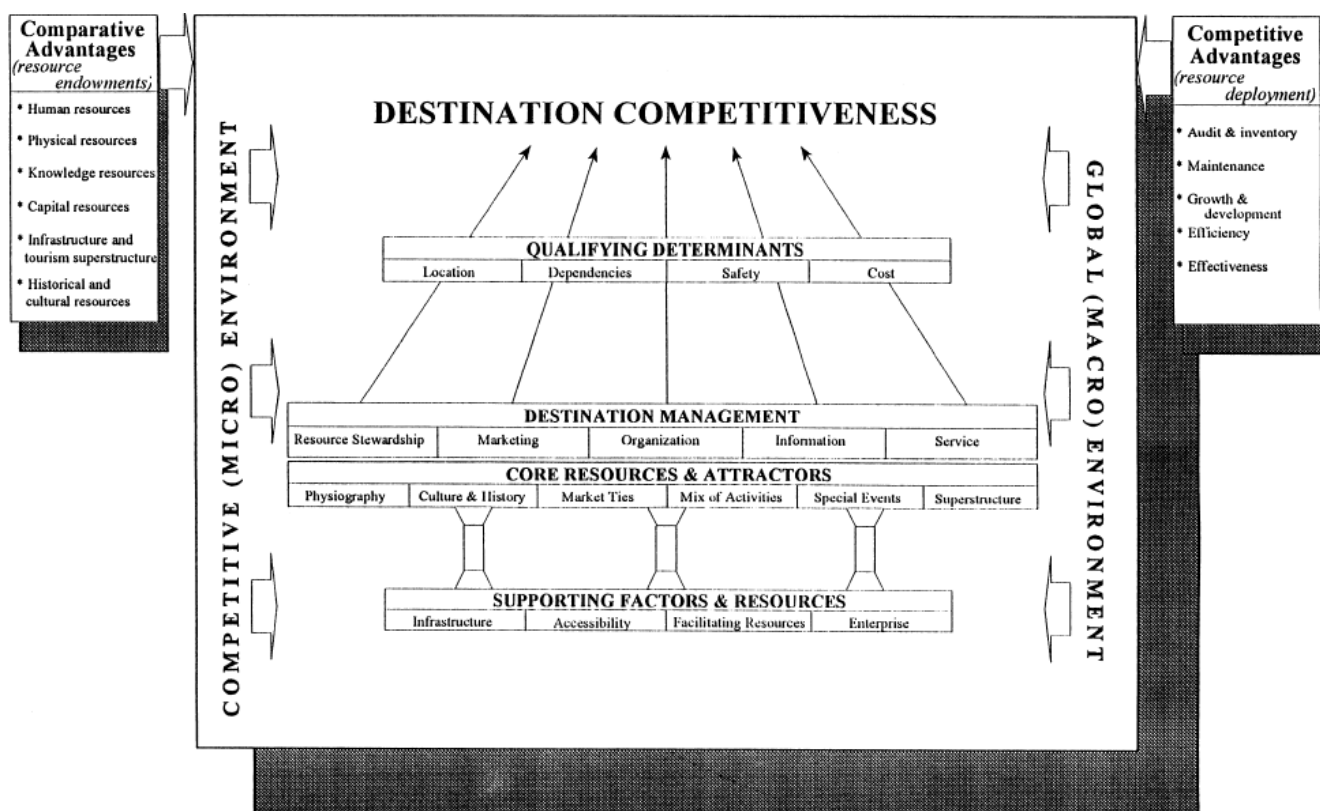


Fig.1 - Crouch, G.I. & Ritchie, J.R.B. 1999. "Tourism, Competitiveness and Societal Prosperity". *Journal of Business Research*, 44(3): 137-152.

Our project and analysis are also very concerned with the benefits and outcome of the tourism product, and it is, therefore, essential to understand how it affects the society and environment surrounding it. In its paper, Yoon (2002) elaborates on the fact that the

collaboration of all interested stakeholders, public and private, in the planning and development of touristic activities is key to the success and long-term sustainability of such products and experiences. It is stated that the input and support given by the network of stakeholders benefits the creation of value and of socio-economic benefits for the society in which those products are inserted. Within its analysis and the analysis of results, the author mentions the importance of identifying, establishing and emphasizing the roles of the different stakeholders since a clear definition of functions and responsibilities will lead to greater competitiveness. Yoon summarises its findings by establishing the interconnections between the touristic resources, the strategic and marketing plans and the “effective support” of the interested stakeholders as crucial for the establishment and competitiveness of the touristic product.

Another interesting perspective on the topic is given by Valentina Ndou and Giuseppina Passiante on their paper, where they analyse the impact that tourism network systems can have on the individual companies’ outcomes and gains, more specifically the value they can create and appropriate from participating in those networks. These benefits include time and cost efficiencies, derived from integration, exploitation of externalities, increased agility and responsiveness, improved knowledge and information on products and services, as well as greater openness to innovation and development of product and markets as referred in the work of Gretzel and Fesenmaier (2001). Especially relevant in “densely interconnected and heterogeneous settings”, this view is completed by Spekman (1996) that states that close relationships within a network lead to an “enhancement of competitive advantage”. More extensively, the authors in an adaptation of works by Passiante, Romano and Elia (2000) and Pollock and Williams (2000), establish the tourism network systems in which the companies can be present as “not simply the technological infrastructure used for provisioning

information electronically. Instead, a tourism network system is the one that comprises a multiplicity of autonomous, interdependent, enterprises without physical borders of separation from the environment, that rely on the Internet infrastructure to integrate and exchange value". Those networks play a vital role for competitiveness in an ever-changing and diverse industry inhabited by many heterogeneous players. With benefits like integration of information, access to complementary resources, and coordinate actions and processes the study found out signs of a "trend toward innovation" as well as a higher exploitation "in terms of customer relationship, time and costs gains" within agents supported by touristic networks leading to more innovation and efficiency, and consequently value creation.

In its review of value creation in tourism, Abolfazl Tajzadeh-Namin (2012) incorporates a model that having in consideration three dimensions, defines a framework that can be implemented in the development of business plans within the industry. The first and second layer are related to the international and to the national environment and how it can affect the strategic planning and operations. The third layer links to the microenvironment and includes the relations between the mission, goals and strategic planning, the stakeholders competitive and comparative advantages and the value creation and co-creation based on the tourists and stakeholders' expectations (see fig.2). The interconnections between all the elements should lead to the creation of touristic value and competitiveness.

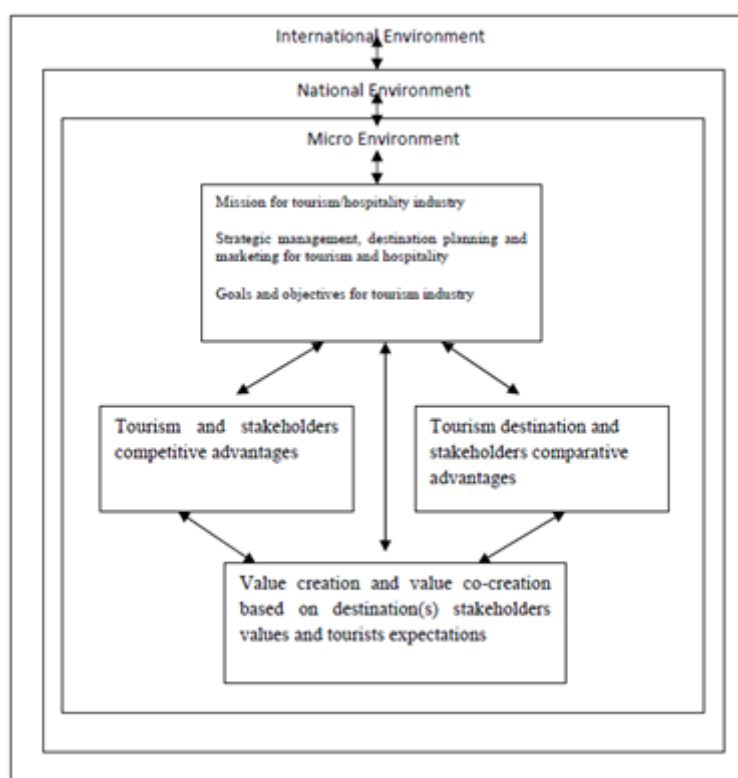


Fig.2 - Tajzadeh-Namin, Abolfazl. 2012. "A review on value creation in tourism industry." *Management Science Letters*, 2.1: 203-212.

## 6 | Tourism and Routes

To understand what touristic routes are, how can they be applied and how can value be generated we started by defining the nature of touristic routes. Dorothea Meyer (2004), early in her work defines the aim of those routes as not only to attract tourists but as to “tie-up several attractions that would independently not have the potential to entice visitors to spend time and money”. With the intent of bringing together touristic objects under a unique theme, routes are often set due to practical, economical, historical or cultural reasons, such as the case of our project identified with bringing attention and awareness to an important cultural heritage. Meyer (2004) refers that the development of touristic routes in recent years relates to an innovation opportunity to match the increasing touristic interest in experiences in opposition to standardized offers. It is believed that the dispersal of tourists and tourism

economic benefits to wider spread areas of a destination, propelled by routes, backed by integrated product development and marketing strategies, can contribute to the creation of more and wider value and to the increase of a destination overall attraction. The author sums up the relevance of the routes as an opportunity for “less mature areas with high cultural resources that appeal to special interest tourists”. Besides the impact it creates on the divulgation of cultural and touristic heritage, Meyer (2004) points out the benefits of routes can add. Along with the already mentioned dispersal of economic benefits to existent and new stakeholders, routes are responsible for generating more employment, facilities and income as well as extend the length and scope of tourist visits. From its analysis to key elements of broader regional routes it is possible to derive some fundamental points of action for local scale routes. Success for similar projects should be based on network cooperation, thinking and leadership as well as support in product and structural development. The author also highlights the role played by the community and “micro-enterprise development and innovation” as well as by communicational efforts.

In their work, Russo and Romagosa (2010) present a vision of benefits of a route that opposes the “mass-commodification of cultural heritage”, that can translate in the creation of hollow images of touristic products. It is defended that routes can interconnect intangible elements of heritage such as their background and impact, “generating narratives” and deeper engagement of visitors with the cultural elements. The effects translate into more active-seeking tourists which generate more awareness, learning and general deeper connection with heritage.

Anne Hardy (2003, page 317) also developed some work related to touristic routes and recognizes that “their development is largely due to recognition that increasing numbers of people desire a free and independent travel experience”. From her research on self-driven



routes, it is possible to pinpoint some key aspects for the success of themed touristic routes. Among those are distinctive experiences and attractions, suited services and infrastructures (restaurants, resting areas), “efficient and user-friendly” information linked to customer services and a well-managed network of interest stakeholders.

In line with the already mentioned impact of communities in the development of routes, many authors defend that residents perceived benefits are key in sustaining tourism development. The well-studied model of Ko and Stewart (2002) highlights the dimensions that define this relation between the residents and the touristic product, being them the positive (negative) economic impact, the positive (negative) social and cultural impacts, and the positive (negative) environmental impact, with only a positive overall balance bringing a stable structure for tourism development.

## **7 | Derived Theoretical Frameworks**

Following our review of the most important works on areas involving value creation, business ecosystems and tourism, it is fundamental to understand how that literature can constitute a base and framework for our analysis and findings resolution. The initial stage of the review was based on the understanding of business ecosystems, their structural socio-economic benefits, as well as a later application of those concepts to a touristic and routes environment. We highlighted the importance of dependencies and hierarchies in the process of creation of value. The work of Letaifa (2014) was key in the definition of coopetition as a factor for our future analysis of the network. The analysis of the tile touristic environment will have in consideration the collaborative and competitive relationships between stakeholders as well as the “strategic intent” of each entity. Iansiti and Levien (2004) also identified the importance of keystone players in these environments. The perspective of

ecosystems in tourism is further explored in works by authors such as Abolfazl Tajzadeh-Namin (2012) from which we analysed a framework of environment and value creation in tourism. The latter part of our review also analysed the impact and importance of touristic routes as platforms for the gathering of players and for the creation of increased value both for the interested stakeholders and for the touristic customer.

In the framework below, we aggregate perspectives from different authors in order to establish a guide and basis of analysis for our findings. This framework is based in an environment analysis of factors such as strategic intents as well as dependencies and hierarchical relations. Those are consequently connected to a strategic management of collaborative and competitive strategic relations that, when correctly applied, should result in the creation of value.

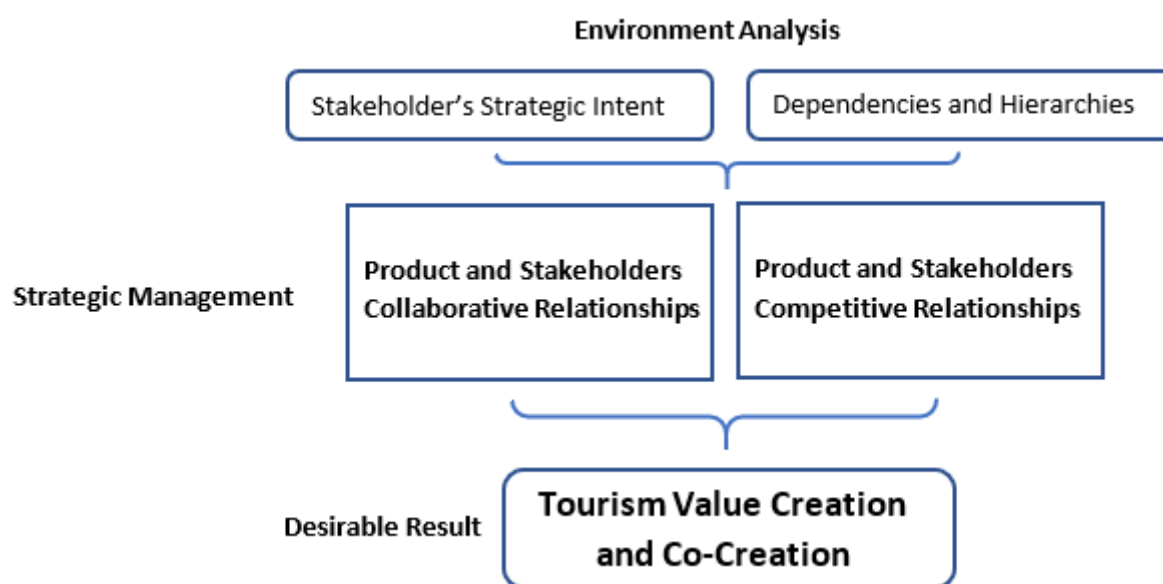


Fig.3 - Environment Analysis Under a Tourism Context (derived by João Bilé and Mateus Teixeira)

Fundamental for the second part of our analysis and findings was to understand how concepts like value creation, co-creation and capture were defined, structured and how can they be applied to our case for the creation of value in a touristic perspective. We base our analysis on the value creation process, on the view of different authors that the process derives from

the difference between the appropriated value by customers and the costs and externalities on the development of such products. With consideration on various authors' views on the subject, we take innovation and cooperation between players as essential in the value creation, especially on a tourism perspective. Found in our literature review and essential to the development of the project, is the concept of value co-creation, mainly in the Vargo & Lusch service-dominant logic applied to our touristic sector case. We consider the relations between players and the role of customer to be key in the paradigm of the tourism industry. Also retained from the literature review and applied to the analysis on the creation of value and how it can benefit a socio-economic environment is the way value is captured, or how the isolating mechanisms work to allow stakeholders to retain a percentage of the value generated, possibly different from their weight on its creation. It is also key to consider that value generated without a sustainable capture will result in a loss of benefits for the environment. Finally, and for the topic of value creation within tourism, we take elements from different authors on how to create value and competitiveness in a tourism product/service perspective. A highlight should be made to Ritchie and Crouch's framework on the competitiveness of a destination from where we derived a significant part of the basis for our findings in the generation of value in tourism.

A framework was also developed in order to sustain our findings related to the process of value creation. The framework structures the process of value creation and co-creation, supported by components as innovation and cooperation. This value is consequently reflected on the later stage of capture, where the creation of added benefits is really materialized.

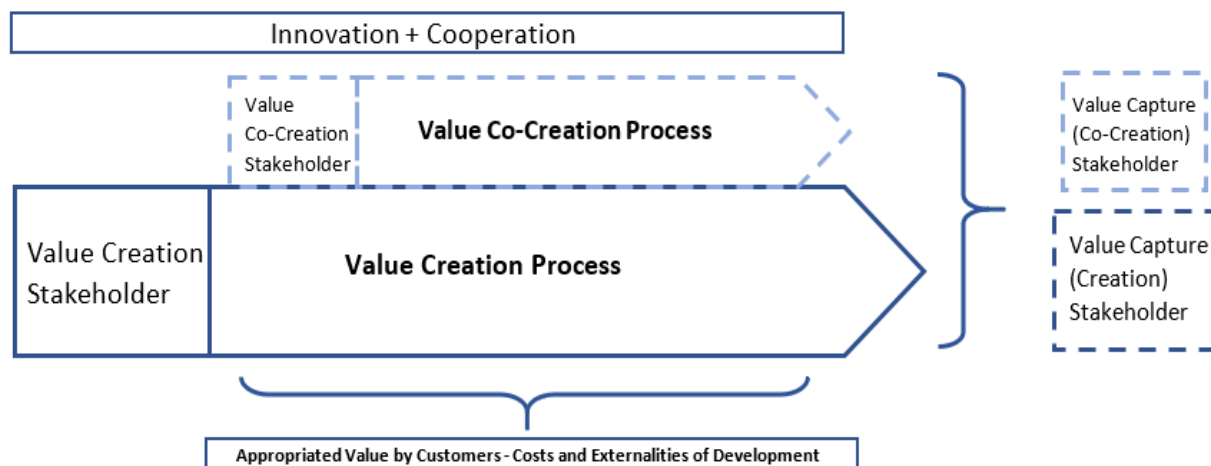


Fig. 4 - Value Creation and Capture Processes under a Touristic Context (derived by João Bilé and Mateus Teixeira)

### Part III - Context

In this part of our thesis we analyse contextual information about three topics, tourism, and its growth worldwide, the relevance of culture in urban development and the historical context of tile. This will help us to have a clear perspective and direction in the development of our findings and conclusions.

#### 1 | Tourism - A Key Sector in the World

Tourism has become one of the biggest and fastest-growing economic sectors in the world, showing continued growth and diversification. As stated in a World Tourism Organization (UNWTO) and United Nations Global Compact Network Spain 2016's report, arrivals of international tourists have grown globally from 25 million in 1950 to nearly 1.2 billion in 2015. Consequently, revenues earned by destinations across the globe, from international tourism, have increased 1.136 trillion euros in those same 65 years. Currently, billions of people travel every year using tourism as their number one motivation, and, according to UNWTO's long-term forecasts, this figure is expected to grow at an average rate of 3.3% per year until 2030. Furthermore, UNWTO estimates that tourism is responsible for 10% of global GDP and 7% of exports. Regarding the concrete impact for our analysis, we highlight

the benefits that this sector brings for local communities are unquestionable, being responsible for 1 in 11 jobs across the globe.

## **2 | Relevance of Culture in Urban Development**

History has also shown that culture is in the very center of urban evolution. It is a crucial element that brings attractiveness, creativity and sustainability to cities, displayed by cultural landmarks, heritage and traditions.

In these days, urban heritage can have a critical place in strengthening city's identity and in supplying a solid base for social and economic development. The importance of preserving cities' historic areas as a resource for the progress of urban communities has long been underappreciated in the modern world. Even though it first appeared in Europe, the concept of including urban heritage in collective preservation efforts has become a worldwide welcomed idea. It is now mainly supported by local governments and civil society organizations since the rising interest in cultural tourism and other related industries has made the relevancy of the connection between urban heritage preservation and the urban development process stand out.

## **3 | Historical Context of the Tile**

Portuguese tile art is one of the most famous and distinctive expressions of the Portuguese culture as well as a globally recognized landmark of the country's heritage. Deriving from Arabic origins the tile art took in Portugal a unique path, as referred by Paulo Henriques, a former director of the Museu Nacional do Azulejo, "Here (in Portugal), the tile largely surpassed its mere utilitarian function or its destiny as an ornamental art and reached a transcendental state of art". An analysis of the distinctive characteristics of the tile in Portugal, present in the catalogue for the exhibition "Arte do Azulejo em Portugal"

(partnership exhibition between Instituto Camões and the MNAz), underlines three fundamental ideas that sustain its originality and importance in the cultural creation. Firstly, the duration and non-interruption of its common use in the country for over five centuries. Secondly, it is considered its use as an intrinsic element of architectural structures, specially its application in outdoor facades and interior decoration. Thirdly, the document refers the cultural understanding of the tile, throughout the centuries, not only as a decorative form of art but as “support for the renovation of taste and imagery recording”.

Its continuous affirmation as an art form throughout the centuries, allied to a widespread use in form, content and purpose marked the history of the tile in Portugal and determined its relevance in our cultural heritage.

#### **Part IV - Methodology**

Starting from our initial problem of doing a strategic analysis and viability review for the concretization of a touristic tile route, a number of different processes and approaches were sequenced in order to complete our base research and consequent findings. In the initial stage of this research, an exploratory study was made, where we identified and explored relevant topics for our understanding of the nature and reasoning of the project. These topics included also descriptive studies analysis, such as an overview of the tourism and cultural tourism as base environment and a deeper understanding of the historic and cultural importance of tile art in Portugal. The following stages incorporated a literature review set to establish theoretical background for the findings section of our work. In this review, constituted by two main driving topics, environment analysis and value creation, we analysed relevant author's works and perspectives on the subjects, which enabled us to constitute a solid theoretical knowledge and supporting frameworks for the remaining study. This was done by methodical reads and reviews of significant works and papers, from which we extracted considerable

information that allowed to lay the basis for the research and findings that constitute the core of this thesis. Presential meetings with representatives of the MNAz also allowed us to have a clearer understanding of the background information as well as collect insights about the project and some of its idiosyncrasies.

Looking at the methodology approach to the research problem it can be defined as a mix of descriptive research, as it analysis concrete available information, and exploratory research, since it tends to further dwell on the information, its impacts in our problem and in its connection to different sources and basis of information, leading to added insights. Our analysis can, overall, be defined as a case study, in light of its research strategy. Starman (2013, page 31) defined this approach as “a description and analysis of an individual matter or case [...] with the purpose to identify variables, structures, forms and orders of interaction between the participants in the situation”, adding its utility to “assess the performance of work or progress in development”. Complementing with the work of Saunders, Lewis and Thornhill this strategy allows for “exploring” and “challenge” existing theory, with reality-based cases.

The development of our project is based on a qualitative research, in opposition to quantitative research, as the analysis and observation of non-numerical data best suits the analytical intent of our exploration of environment and value creation. Since our approach is based on the collection and analysis of information regarding stakeholders, the collection of secondary data was the indicated path. The use and suitability of secondary data in relation to primary data is partially explained by its accessibility and ease in the organization of longitudinal comparisons between players, by providing contextual data.

For the concretization of our findings regarding environment and network analysis we follow a flow of work based on online research about each individual stakeholder, from where we were able to identify its nature, impact in the environment and relations to remaining agents.

The collection of secondary data was possible through the analysis of their websites, regulatory basis and relevant news or articles about the stakeholders. Applying the referred theoretical frameworks, enabled us to construct a study of the environment aforementioned.

The second part of our findings follows a similar methodology of theoretical and secondary data collection about the stakeholders and the reality of the touristic environment. With careful analysis, by collecting archive research and online information of each individual stakeholder we were able to draw their role in the process of value creation and value capture. The previous analysis on relationships was also crucial to determine the pillars to value co-creation, a key part of our study.

The meetings held with the museum were also fundamental data collection sources as they allowed for the development of the two parts of our findings, enabling us to extract orientation and concrete information about stakeholders, relations and generation of value that was later applied.

Regarding the data analysis methods applied in our qualitative research we can identify three main categories: content analysis, for categorizing and summarizing data available; framework analysis, by identifying and interpreting these instruments; and grounded theory, or the analysis of cases and similar projects as tools for the development of our findings.

The methodology followed in our research, by gathering available information and extrapolating it within the contextual frameworks applied to our case, will help our findings to be positioned as valuable information, able to complement past research and to create new insights into the specific topic of this thesis, as we applied conceptual knowledge to the touristic tile environment.



## **Part V - Findings**

### **1 | Part One - Environment Analysis - Individual Report João Bilé**

In this part of our thesis, we will develop a closer analysis of the environment in which a possible “Rota do Azulejo” would be present. This contextual analysis will include an identification of the main stakeholders inside the network as well as a structure recognition. It will allow for a better awareness about the surrounding context, which will help define the nature, context and value proposition of the “Rota do Azulejo” and support the construction of a better support overview for its development. The analysis follows the logical order of the first part of our developed framework (fig.3), constituted by the environment analysis, in which the stakeholders’ strategic intents are inserted. We will start by defining the nature of each of the stakeholders under analysis, including its state and positioning. We follow by defining their role in the value creation process, applied to tourism and related areas, as well as their relation and impact in the creation of the “Rota do Azulejo”.

#### **A | Stakeholder Identification**

##### **a | Structural Stakeholders**

##### **Direção Geral do Património Cultural**

The DGPC (Direção Geral do Património Cultural) is a governmental institution with the mission of “manage, protect, preserve and value” the cultural heritage of Portugal. It is also responsible for developing the museum coordination in the country, being the entity responsible for the Museu Nacional do Azulejo. It coordinates the global strategy, being the main stakeholder in generic strategic decisions as well as in the management of revenues, their distribution and approved application.

Regarding its impact in the overall process of value creation within tourism and related areas, the DGPC is responsible by law for the divulgation and appreciation of the heritage, in the

name of the state, which makes it a vital player in defining public interest strategies for relevant heritage like the Portuguese tile. Referring back to Ritchie and Crouch (1999) work on value creation and competitiveness, we identified the impact of resource endowments, such as tourism and infrastructure superstructures. The establishment of value creation for tourism also depended on supporting factors and resources in which are included facilitating resources. The DGPC develops a role within the context of this superstructure of tourism and infrastructures that serve as backbone for the definition of strategies and for the correct development and implementation of value creation in tourism.

For its importance as a central institutional organization and for its position as responsible entity for another major stakeholder, the MNAZ, the decisions and support of the DGPC can affect the development and context of the creation of the “Rota do Azulejo”. Following our review on relevant literature for value creation in tourism and according to Ritchie and Crouch (1999), it is possible to understand the importance of the DGPC within the environment affecting the “Rota do Azulejo”.

### **Turismo de Portugal and Turismo de Lisboa**

Another two important stakeholders to analyse are the Turismo de Portugal and the Turismo de Lisboa. As a public institute under the Portuguese government (Turismo de Portugal) and as a non-profit private rights association (Turismo de Lisboa), both entities are based on the mission of promoting and valuing the sustainability of tourism in Portugal and in Lisbon respectively. These institutions have in their legal statutes the ability to promote independently or to support other entities in the development of projects that would have a clear benefit or value creation for the touristic sector in those areas.

By developing touristic infrastructures and supporting investment in the sector both entities can be linked to Ritchie and Crouch (1999) work on how superstructures are fundamental for

the creation of value and competitiveness. They represent structural support in the form of both investment and advisory to touristic projects such as the one of the “Rota do Azulejo”.

Therefore, we highlight their role in supporting and creating shared infrastructures for the “Rota”. Due to its nature of being designed to be an accessible touristic product in public space, that basis some of its features in shared assets, the relevance of a supporting structure or interested stakeholders takes an even higher importance. Reaching back to the work of Letaifa (2014) is essential to highlight how agents in a network must collaborate effectively in order to be successful, a reality applicable to the case of Turismo de Portugal and Turismo de Lisboa support impact.

## **b | Partners**

### **Museu Nacional do Azulejo**

Partner stakeholders or stakeholders that have a more direct relation and interest in the development of the touristic product are also key in our environment analysis. The MNAz as guardian of a large heritage of tile and main body and figure in the appreciation of the Portuguese tile art, both on a conservational and touristic perspective, is a major source of influence and impact inside the network.

As previously analysed in this paper, the MNAz offers a wide array of exhibits, information and workshops for the valuation of tile as a cultural and touristic product. The museum is also an interested entity on any activity in a socio-cultural context that enables the promotion of the Portuguese tile and its recognition.

In meetings with members of the Museu Nacional do Azulejo, was discussed the base driving ideas for the project. The museum recognized the importance of such route for the valuation of tile art. Furthermore, and despite their financial inability to operate such kind of project, the museum responsables identified the possibilities for the museum to provide interested

companies and respective guides with information and training in the concretization of the project.

## Parishes

In our meetings with representatives of the museum was also highlighted a possible key partner stakeholder in the development, the parishes, the entities responsible for the local ruling of unit areas of the city. Their impact and control over some of the cultural heritage, the easiness of contact and project development, when compared to broader entities such as the city council, and the interest of parishes in the support of distinctive projects of valuation of their areas, were some of the aspects mentioned by the museum as of relevance for their role as stakeholders. We give special mentions to parishes such as Estrela, Belém and Santa Maria Maior that, for their heritage and already developed initiatives, are important promoters of the tile and its divulgation.

Inside the model of Ritchie and Crouch (1999), parishes position themselves as important facilitating resources that provide backup and some of the “inputs upon which the tourism industry depends”.

Any interested player in entering the touristic environment of tile should consider parishes, their support and impact, as crucial in the establishment of a plan for developing and sustaining the routes, especially in an approach including routes in different areas and covering different styles and periods, as mentioned by the museum.

## c | Complementors

### Specialty Shops

Also key to our analysis is to understand how other stakeholders may complement the value of our offer, by partnership or simple complementation activities and support. Related to this

perspective, on the work by Abolfazl Tajzadeh-Namin (2012) the establishment of value creation in a network is based on the aggregation of stakeholders' comparative and competitive advantages. Specialty shops, defined for our analysis as shops or commerce/divulgarion oriented entities, are, therefore, relevant stakeholders in the development of the surrounding network and perception of value by consumers of the touristic product. In our research, we identified a series of stores who sell content mainly related to the Portuguese tile and ceramic art and that might be considered interested entities to contemplate under the network. Among those, we highlight the cases of Cortiços e Netos, Fábrica de Sant'Anna, D'Orey Azulejos, Viúva Lamego, Loja dos Descobrimentos and Surrealejos, as representatives of this offer. Based on Ritchie and Crouch (1999) tool on factors that impact destination competitiveness we can refer the supporting factor of enterprise, or the role that small and medium companies, such as specialty stores, that contribute to value creation and "economic prosperity" to the surrounding mediums. Specialty stores, as the ones referred, may constitute an important complement to the core attraction of the "Rota" and create an even extended value for consumers. Insights on the importance of this relations and how the business ecosystem is based on horizontal relations that create solutions for the consumer was based on the analysed work of Moore (1993).

## Transportation

Similarly key to understanding complementing activities and entities inside the network is the analysis of the transportation network as a support for the development of the "Rota". The city of Lisbon and its touristic environment is often supported by numerous transportation modes, of which we highlight, for its significance, the bus, train and metro system, as a more conventional way of moving efficiently through the city, but also new approaches to touristic

urban movements, such as the Tuk-tuks, an activity with growing importance in the historic areas of the city.

The importance of the transportation can be found out in the literature of Ritchie and Crouch (1999) and the significance of infrastructures and accessibility, namely “the range and quality of local transportation services”. For this reason, we consider it to be a crucial stakeholder inside any touristic offer.

For any entity interested in approaching this touristic market with a proposal of a tile route, it is vital to define within its offer, a well-designed plan of transportation suggestions, as well as possible partnerships with tuk-tuk companies or similar in order to create more value for the proposal and make it more accessible.

#### **d | Substitutes**

When mapping the business network that would enable the creation of a “Rota do Azulejo” and foster its development in terms of value creation for the customers, it is of the utmost importance to identify the players offering substitute services and how the institutional relationships between them would provide value exchanges. In our analysis, we consider substitutes for this “Rota” to be touristic packages and tours through the city of Lisbon, not necessarily having cultural attractions as the main feature but rather general tours in which customers can better experience Lisbon and get acquainted with its most emblematic landmarks, its cultural and historical richness, its landscape, customs or gastronomy. As such, we identified Portugal Rotas e Tours and AroundLisbon as the two main players in the market offering this kind of services.

Furthermore, after identifying the players, the key is to understand how value can be created by each participant and fully captured by the others in order for the business ecosystem to prosper.

Referring back to Letaifa (2014), the key idea is that the exchange of value between players in ecosystems is based on coopetition (cooperation and competition). It is mentioned that “each partner’s survival is dependent on the other organizations in the system” and that collaboration efforts and exchange of value are key for the realization of success.

## **e | Competitors**

In this section, we strive to recognize the main competitors to this new aforementioned service, as well as how horizontal relationships between these players can contribute for the development of the network and the value offered to the end customer.

In line with the rationale used in identifying the substitute services, we decided to focus on direct competitors for the “Rota do Azulejo”. This is, any formal organization offering a similar service to the one being implemented. This encompasses every touristic package or tour specially designed to immerse the customer into the cultural heritage of the Portuguese tile art, namely in the city of Lisbon. However, following an extensive research through this market, we came to the conclusion that this represents an almost unexploited niche market, having found only one service experience fitting these characteristics. This touristic tour is called “Azulejos e Contos de Lisboa: Oficina de Azulejos e Excursão Particular incluindo Museu Nacional de Azulejos” and is offered by Around Lisbon, making this organization the sole direct competitor for the “Rota do Azulejo”. This is a full day experience that provides the customer with a visit to Azeitão’s tile factory (outside of Lisbon) in the morning where they can learn about the history of tile manufacturing as well as paint their own tile (that would afterwards be available to take home). Following that the group has the option to have lunch in Sesimbra or head back to Lisbon admiring the tile masterpieces along the way. In the afternoon, the customer would be taken to Museu Nacional do Azulejo to appreciate the immense variety of tile work there exposed.

The existence of a single direct competitor and its characteristics as a very in-depth program, positioned in contrast to a simpler, more direct proposal of “Rota do Azulejo”, reduces the scope of the touristic product and narrows the possible touristic target, allowing for larger exploratory space for the introduction of our product.

Even though this is a niche market, where direct competitors (even if just one) are a major threat to the success of the project, it would be interesting to understand if these two organizations could establish them as competitors, and derive value from their competition through information flows, aiming at higher value for the end customer while capturing some of that value for themselves in a way that both benefit from being integrated in a network, which will be done in the later part of our findings.

## **f | Customer**

While analysing this business network focusing more deeply in the topics of value creation and co-creation, a clear key player arises. The consumer of the final touristic service constitutes a crucial component for the overall success of the project and its consequent development and improvement. The role of customers as a rising interested party in the process of the touristic service increases the importance of the management of relations and the weight of its integration in the creation of value. From the papers reviewed on these topics, it became clear that the customer represents one of the most relevant sources of value co-creation, and, as such, we will further dwell on how this process will be possible in a later stage of our work.

## **B | Analysis of the Relation Between Players in the Ecosystem**

Following our identification of the different stakeholders in the environment, their recognition and analysis, we structured a diagram for the network. Here we apply the second



stage of our framework analysis (fig.3), where dependencies and hierarchies inside the environment are described. This methodology can also be traced to the literature of Yoon (2002), that refers the importance of “identifying, establishing and emphasizing” the different roles, functions and impact of stakeholders as it generates more value creation and competitiveness.



Fig. 5 - Network Hierarchies and Relations

In this visual support, we position the “Rota do Azulejo” as central, for it is our starting point of analysis, and allocated the different entities and players around it, organized by their nature, impact and relations with our object. At an upper level, structural stakeholders such as the DGPC, and the Turismo de Portugal and Turismo de Lisboa, develop roles related to a broader view of tourism and its sustainability, and can, therefore, provide a more structural and conceptual support for the network. As referred in our analysis and based on reviewed literature, partners can generate valuable inputs and are consequently positioned close in their relation importance relatively to the route. Complementors are also crucial elements in the creation of added value for the “Rota” in a tourist/consumer perspective. The activities

performed by those entities, help extend both the quality and quantity of the generated benefits by the project, explaining their positioning and relations as close and key for the route. It is also important to understand how competitors and substitutes relate to the route. As they occupy an important share of a route and exploration-driven touristic market, substitutes are positioned as possible threats but also as possible exploratory relations. Similarly, the only direct competitor can be understood as a direct rival capable of influencing the defining positioning and differentiation of “Rota do Azulejo”. The customer is located at the bottom of our visual summary since we consider it the endpoint in the environment.

### **C | Managing the Role of Rota do Azulejo Inside the Network**

The “Rota do Azulejo” should aim to be positioned as a unique proposal inside an environment of tourism and tile art, and for it, it should define its relations and placement inside the referred environment. This follows the logic of the final stage of our developed framework (fig.3), defined as the strategic management of competitive and collaborative relationships between the product and the remaining stakeholders.

We can define the role of the route as a keystone in the environment, as discussed by Iansiti and Levien (2004), locating it as the central entity in the creation of a network that connects the mentioned stakeholders and allows for each one to contribute, produce and derive value from it. At an initial stage, its dependency on the development and creation of awareness should have as a consequence the need for the support and power of other structural stakeholders. Consequently, the planning should derive from contacts and sharing with some of those entities. Furthermore, the already mentioned importance of partners and complementors in the creation of a wider offer to tourists, and consequently increased value, defines the importance of the position of the route in relation to those entities and in the

establishment of valuable partnerships. Their relation must be close and promote the continuous improvement of the value generated by the project in order to guarantee its sustainability. Regarding competitors and substitutes, relations should be managed in order to derive the greater share of value, through differentiation and best use of information flows from the remaining stakeholders and their customers. Finally, customers, located at the end point of the network, should be always regarded as the final part of the process of value creation, and consequently, only a correct positioning within this segment can generate value and externalities in the perspective of a final stage.

## **2 | Part Two - Value Creation and Value Capture - Individual Report Mateus Teixeira**

### **A | Flows of Value Creation and Value Capture Inside the Ecosystem**

In the first part of our findings, we proceeded to the identification of the major stakeholders present in touristic tile environment, the structure of the network as well as the relations and impact of the stakeholders on its functioning. In the second part of our findings, we will develop a closer look at the creation of value in the same environment, including how it manifests in the context of the tile and tourism industry.

In order to better understand the processes of value creation inside the ecosystem, a visual support was developed from our theoretical framework on value creation (fig.4), to aggregate the information about the generation of value within each specific relation. For this, it was organized by value creation, or how the “Rota do Azulejo” develops its role in the context of the relation and generated value, and value co-creation, or how the other stakeholder integrates the process. This analysis is mimicked for the value capture, both by the route and by the stakeholder under analysis. Both analyses are made having in consideration the

keystone player of the network (Rota de Azulejo) and the remaining stakeholders' impact on this process.

### **a | Rota do Azulejo**

Our initial analysis on value creation will focus on the central stakeholder in the environment under scope, the Rota do Azulejo. Considering the nature of the project of the “Rota do Azulejo” and its activity of providing a guided route throughout significant tile heritage, it is possible to determine that direct derivation of value created can be found in the creation of profit from the activity offered to customers. Value generated in this process is essentially captured by the Rota do Azulejo, as an entity that can charge for the service provided.

Touristic routes such as this one also represent added value to the touristic environment, by providing a valuable non-standardized service that can increase customer access to new proposals, and increase overall satisfaction regarding the destination. Value is also delivered an indirect way by the increase in awareness and market visibility for the tile art.

Furthermore, we consider the impact of the Rota do Azulejo on the related stakeholders, a topic to be further developed below. This impact includes the profits that can be derived by the remaining agents, by means of externalities or synergies in relation to the route.

### **b | Structural Stakeholders**

#### **Structural Stakeholders <-> Rota do Azulejo**

For our take on value creation, it is key to understand the impact of the aforementioned structural stakeholders in that process, including the DGPC, Turismo de Portugal and Turismo de Lisboa. According to our previous review of those stakeholders, they develop infrastructures and backdrop support for the concretization of similar touristic projects, representing an essential part of the value to be generated.

### Value creation:

It is important to highlight how crucial those entities can be in the creation of value for a touristic route. By providing structural support and helping implement and develop the project, they can benefit the route by increasing its perceived value. A more structured, professional and well-composed product will raise the customer desire and availability to spend income on it. The value added can also derive from a more indirect way, being through a larger exposition provided by those widespread structural players.

### Value capture:

Following our previous work is possible to state that, through the development of a better and more complex product, the Rota do Azulejo will be able to capture increased profits in their relationship with customers, as they have higher perceived value of the route. However, and in opposition to other stakeholders in this environment, structural players don't capture any value in a direct or clear way, serving as a developer and supporter on the creation of shared benefits projects.

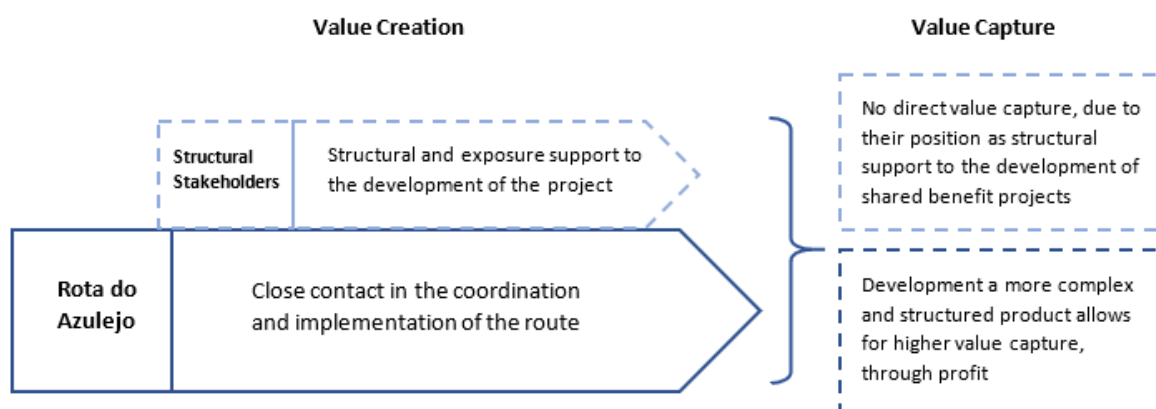


Fig.6 - Value Creation and Capture Process (Structural Stakeholders)

### c | Partners

#### Museu Nacional do Azulejo <-> Rota do Azulejo

Museu Nacional do Azulejo is one of the key stakeholders in this business network, being the main institutional body for the development, preservation and awareness of the traditional

Portuguese tile art. As such, it is pivotal to realize how a possible partnership between MNAz and the provider of Rota do Azulejo can help the museum better achieve its institutional intent as well as how this relationship would generate value for the firm while pursuing its strategic goals.

#### Value creation:

As discussed before, this business arrangement could be beneficial for the museum in various ways. Regarding its intent to further increase the awareness of tile art among Portuguese and foreign population, this touristic route would, obviously, play a role in the process, since it would reach people that were not familiar with the subject and get them interested in this cultural heritage. Moreover, by making the museum a stop in this route, this alliance would generate incremental revenues for the institution as well as further augment the use value of this touristic package that would, at this point, allow its customers to visit one of the most attended and prestigious museums in the country. Furthermore, Rota do Azulejo would also benefit from the publicity that would be available in the museum advertising this touristic package, as well as their technical support.

#### Value capture:

Once again, use value created by the partnership will be appropriated by the museum, and can be traced to the increase in the number of visits to the museum, driven by a higher recognition of the MNAz as guardian of tile heritage, and an increase in awareness for the support and conservation of this cultural asset, with the route capturing the remaining parcel for bringing it all together. Besides that, indirect value would be appropriated by these two players of the ecosystem in the form of advertisement of the route and awareness of the Portuguese tile art.

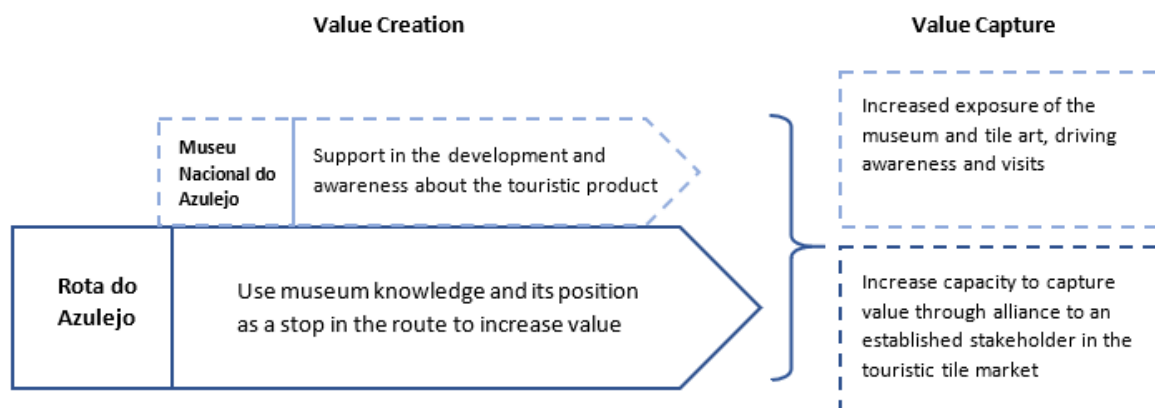


Fig.7 - Value Creation and Capture Process (MNAz)

### Parishes <-> Rota do Azulejo

Following on further partnerships, it is important to define how the relations between the Rota do Azulejo and the parishes of the city of Lisbon can define and affect the creation of value for both entities. As pivotal elements in the preservation of the tile heritage, parishes develop an important role in the concretization of such projects and in the subsequent capture of value.

#### Value creation:

As referred in our meetings with the MNAz, local parishes draw great attention to the possible added value that a project, such as the route, can bring to their local socio-economic environment. The parishes can take a participative role in the establishment, development and divulgation of the route. This includes technical support in the design and supportive features needed for a coherent and smooth-running touristic project. With this active participation, local power institutions would be integrated in the process of generation of value, including increased profit for the area's economic agents, associated with the project. Furthermore, the Rota do Azulejo would also be able to derive a greater share of value in its involvement with parishes by receiving technical and structural support, as well as by the increasing dispersion of information around the routes.

### Value capture:

The active participation of parishes in the creation of value would consequently result in a larger share of value to be captured indirectly into the socio-economic tissue of the area. Individual entities such as coffee houses, restaurants and other relevant stores could extract increased benefits and profits from a larger affluence of a touristic mass, attracted to the area by the route. Based on our previous findings the Rota do Azulejo is also able to extract increased value, traced to the increased profit from a larger audience and exposition in their relationship with local parishes.

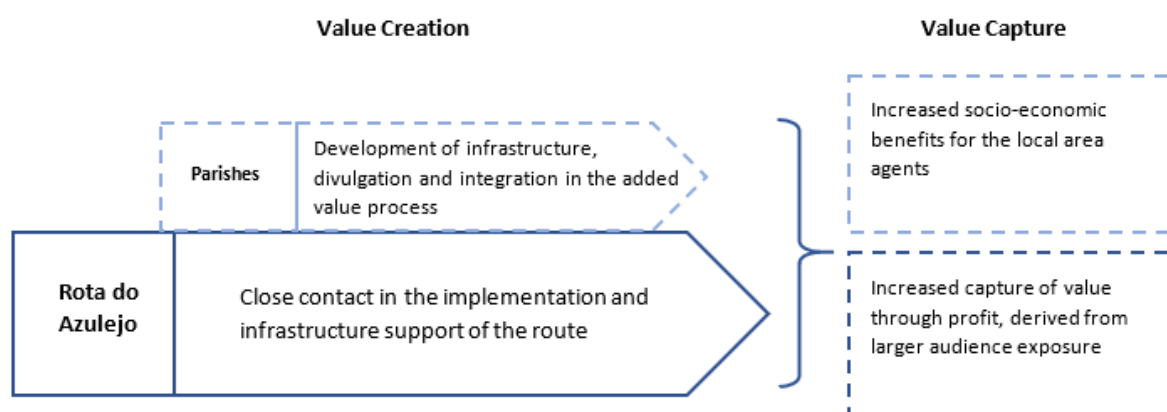


Fig.8 - Value Creation and Capture Process (Parishes)

### d | Complementors

#### Transportation <-> Rota do Azulejo

By initiating a business partnership with a transportation company, namely a provider of tuk-tuk rides, use value for the consumer would be co-created and, therefore, the increase in exchange value derived could be captured (in appropriate weights) by both companies. Thus, it is crucial to understand in what way this business relationship can create value in order to have a clear idea of how value would be captured.



### Value creation:

Tuk-tuk company would provide customers of “Rota do Azulejo” with a ride through the city of Lisbon, organized in small groups, to enjoy the most relevant traditional tile art spread across the city. While the stops would be defined by the stone firm, the expertise of the transportation company would convey the experience a more personalized touch. Experienced drivers would be able to tailor the route to the desires of the group, create a more warming environment and use their know-how to take the group through the best possible path (suited to traffic and weather conditions) through the aforementioned marked stops but still enjoying the beautiful sceneries of the city along the way. Furthermore, opting for a partnership with electric TukTuk would appeal to the more environmentally conscious consumers and, in turn, increase the value of the service in their perspective.

### Value captured:

As we have seen going through the literature review, an increase in the way customers value the utility of a service (use value) leads to an increase in the amount of money they are willing to spend (exchange value) for it. As such, customers would be willing to pay more for Rota do Azulejo based on the value created, explained in the previous section, by this business relationship. Moreover, the TukTuk company would capture a part of incremental exchange value it conveys to the experience, as the remaining part would be appropriated by the firm selling the whole service to the consumers.

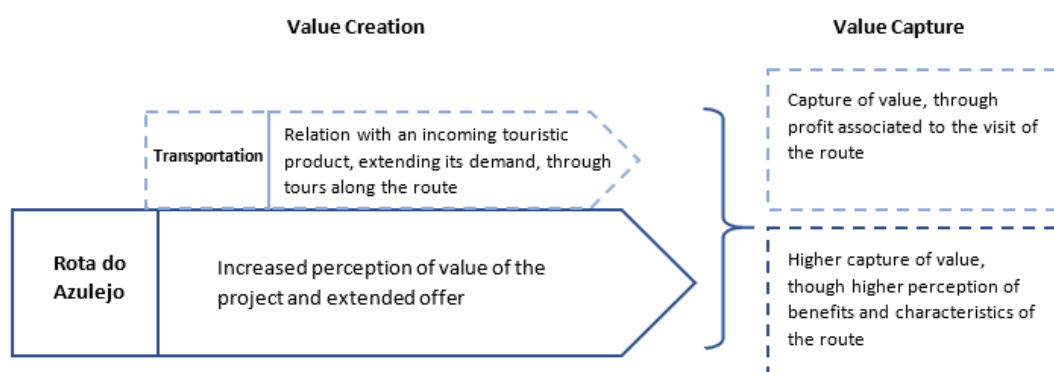


Fig.9 - Value Creation and Capture Process (Transportation)

### Specialty stores <-> Rota do Azulejo

As highlighted in a previous section, complementors to the service being implemented can, through strategic alliances, contribute immensely to the creation of value and the success of the core business. Being so, specialty stores in the Portuguese traditional tile art industry constitute a great opportunity to enhance the service provided and improve its utility to the consumers. Thus, in order to better illustrate how value could be derived from this kind of partnerships, we will focus on one specific specialty store (understanding that the others would show similar findings), Cortiço&Netos.

#### Value Creation:

Cortiço&Netos is a small shop located in the centre of Lisbon specialized in the retail of Portuguese traditional tiles and ceramics. As such, by establishing a business partnership to be a part of the “Rota do Azulejo” network, this specialty shop would contribute to the improvement of the service provided. By being located in the centre of the city, Cortiço&Netos could constitute a marked stop in the tour, in which consumers could take their time to browse the store and purchase some of its products. Besides the value created for the consumer, which would appreciate another feature in this touristic route, that would translate in exchange value for both parties, this alliance would also create indirect value in the form of publicity and referrals.

#### Value Capture:

As explained, the use value creation due to this relationship would increase the price of the touristic route. In this case, this incremental increase of exchange value should be fully (or almost) appropriated by the provider of the service, while the value captured by the shop would be the incremental revenues obtained by the purchases of the route’s customers. Furthermore, indirect value can also be captured by both players, as both entities would

publicise and direct its customers to one another. Nevertheless, this indirect value would be harder to quantify and would need to be monitored to assess its relevance and success.

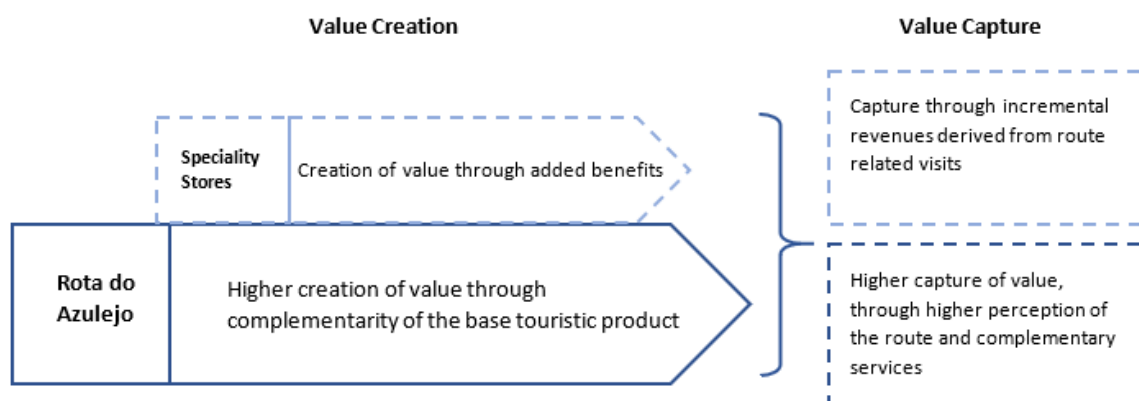


Fig.10 - Value Creation and Capture Process (Specialty Stores)

#### e | Substitutes <-> Rota do Azulejo

Engaging in strategic partnerships with companies that provide substitute services can also be a valid chance for value co-creation. Coopetition, as various authors have underlined, is one of most decisive aspects for business networks to prosper and, for this to be possible, it is pivotal to gain deep knowledge on how these firms can support each other.

#### Value creation:

Through a perspective focused on use value co-creation, we understand that, by trading information obtained in the course of providing their own services to their clients, both companies can benefit from this arrangement and enhance the experience provided. Flows of information regarding customer profiles, service attributes most appreciated or overall consumer data could be extremely useful for both players while tailoring its service to better fit the needs and wants of the consumers, increasing its utility in the eyes of the customer. Moreover, besides use value for the consumer, this type of alliance may also create indirect value for the firms involved. Once again, through the exchange of information, regarding the integration of resources, marketing capabilities or operations management, both parties could be able to derive strategic decisions allowing for a more efficient process.

### Value capture:

In this case value would be captured in two ways. Firstly, both companies would have to be able to increase the use value of their services and, therefore, appropriate the corresponding exchange value. Secondly, companies would also need to have the means to process the flows of information obtained and develop strategic successful measures to lower the costs of the business. In other words, both companies create value by transferring useful information but, in order for this value to be captured (and not lost), each firm needs to successfully use it. It is also crucial for the lifespan of the alliance that every player is able to appropriate some value, otherwise, they would not have any reason to continue with the partnership. Differentiation is also key in this appropriation of value.

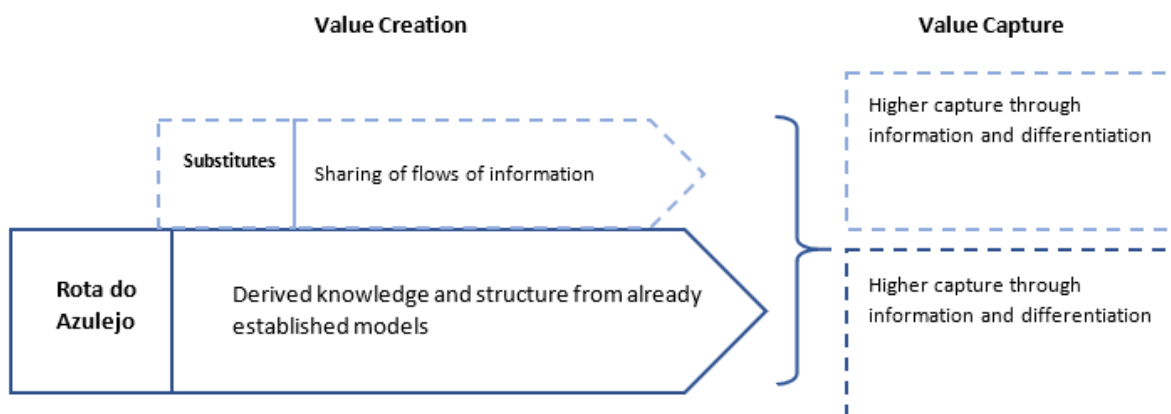


Fig.11 - Value Creation and Capture Process (Substitutes)

### f | Competitors <-> Rota do Azulejo

Being positioned as direct competitors AroundLisbon and Rota do Azulejo relations are less clear and palpable. Since both companies compete for a similar share of the market, the relationships between them are not set for a coopetition strategy, where both parties can cooperate and extract value from this partnership.

### Value creation:

However, the route can still derive value for its services from the relation with competitors, by exploring already existing structures and established information in the market, extracted from competition, allowing “Rota do Azulejo” to capitalize on its position as a differentiated product to already existent offers. The route also adds additional knowledge and flows of information to the tile touristic market.

### Value capture:

Both the “Rota do Azulejo” and remaining competitors can capture value in this process of coexistence by being able to differentiate and better position themselves, based on information flows, and consequently extract higher profit.

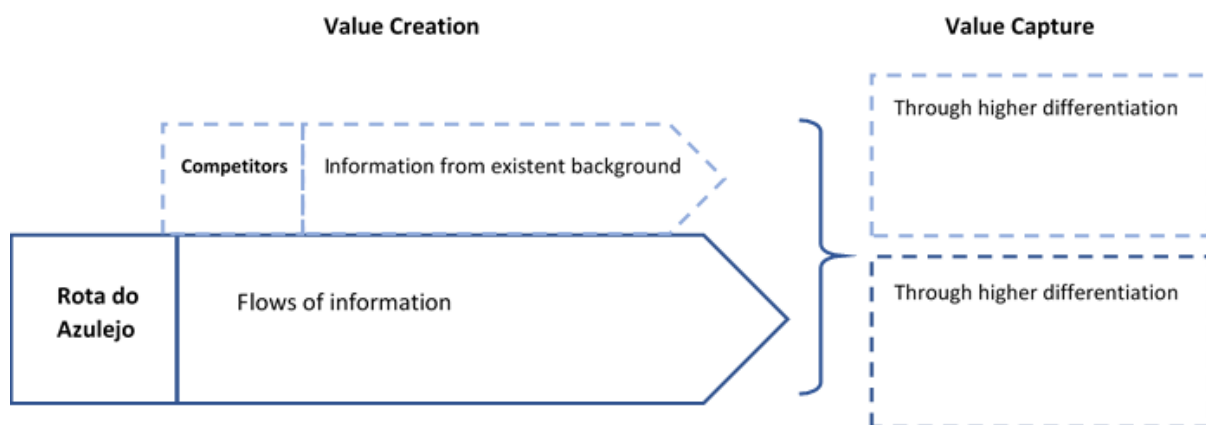


Fig.12 - Value Creation and Capture Process (Competitors)

### g | Customer <-> Rota do Azulejo

As highlighted before, the relationship between a service provider and its final user represents a crucial component when managing value co-creation. Hence, it is important to further understand in what way can this value added be generated for both parties.

### Value creation:

By incorporating the customer in the process of value creation the firm will be able to improve the experience provided in the eyes of its consumers. This will be done through the

analysis of the data collected among the users that will serve as a basis for the development of strategic decisions aimed to better suit the service to the needs and wants of the consumers, thus, increasing the utility retrieved from the offer.

#### Value capture:

As this relationship aims to increase the service utility in the eyes of the consumers, the value appropriated by the customers would be, precisely, the increased utility retrieved from the experience purchased. On the other hand, as we have seen before, the increase in use value translates into an increase in exchange value that would be fully captured by the service provider.

### **Part VI - Discussion**

The analysis done in both parts of our findings allowed us to have a clear understanding of the environment in which this touristic route can be set and the flows of value creation and value capture to occur in it. The environment is set to be divided in a upper layer of supporting structural stakeholders, essential to the concretization of the project, a second layer of complementors and partners, that help in the generation of value and a third layer of competitors and substitutes, from which the “Rota do Azulejo” aims at managing relations in order to extract the greater value. It was also discussed the value creation processes and how each individual player impacts it and derives greater value than the one generated by individual actions.

Following this previous stage of the project is possible to identify the opportunity for the “Rota do Azulejo” to establish itself. Among the reasons sustaining this strategy is the lack of a clear competitor for the desired positioning, a direct and wide scope touristic offer in the tile touristic market. Additionally, the structure of the network, with possible links between interested stakeholders, supporting infrastructures and customers creates a favourable

environment for the project. Furthermore, the space to generate increased value based on a unique offer, interconnected and backed by a network of players, and to capture the generated profit and externalities is indicative of the opportunities for the implementation of such project that would capture unexplored value.

Discussing the theoretical implications of our study, we can highlight the importance of the construction and development of two frameworks, based on previous works on the topics, that allowed us to analyze with more detail and larger precision the touristic tile market, with two complementing approaches of environmental analysis and value creation. Therefore, this thesis is able to add theoretical support to the field by applying and specifying broader scope theoretical knowledge to a specific field of analysis. It follows the line of previous research on the importance in the interconnections and hierarchies inside a network and in the importance of synergies in the process of value creation. It, however, diverges from previous works by highlighting that not all connections between players might be based on coopetition for an environment to be sustainable in the generation of value.

Regarding the managerial considerations and implications, this thesis finds itself as a prospective study for the implementation of a possible tile touristic route. Considering the existing opportunities, it is important to define the “Rota do Azulejo” as a simple attractive offer on the tile touristic market. Backed by a thriving tourist market in the city of Lisbon, the proposed offer is set to increase the contact of larger audiences with tile art, accompanied by the generation of profit. The impact of synergies in the process of value creation is essential for the establishment of the route and therefore strategic relationships management is a vital part for the success of the “Rota”. The project should always consider the importance of maintaining an innovative and developing offer, since, according to previously analyzed research, it is part of the process of generation of value and it defines the long-term sustainability of the same creation. For the implementation of such network is important to

reinforce the need for structural stakeholders and policymakers to provide legal and infrastructural conditions for the processes and connections to be developed in the environment.

## **Part VII - Conclusion**

Our project extends a look at a strategic and environmental analysis for the implementation of a tile touristic route. Based on theoretical frameworks developed on the basis of existing literature, we were able to drive this study and have a clear understanding of the ecosystem and the value existing in it. This study indicates a fertile environment for the development of the touristic product and the possibility for generation of value, directly through profit and indirectly to differentiated externalities.

The overall result of this thesis should constitute a helpful analysis of the overviewed themes and set the basis for any interested party to develop further projects upon our findings and conclusions. Based on a unique and distinguishable offer and in the importance of relations between stakeholders, it is believed that the “Rota do Azulejo” can be a value-generating and impactful touristic product, both in a socio-economic perspective and in the valuation of a unique Portuguese heritage.



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